



DELAWARE ECONOMIC INDEX

As of January 1, 2013

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

LEGEND FOR ECONOMIC CLIMATE

STRONG

MODERATE

FAIR

WEAK

SEVERE

FAIR

National Economic Trend: Slow Growth

SPECIAL FEATURE



KEY HIGHLIGHTS

Financial tips for
the New Year.
See page 2



National consumer
confidence declined.
See page 3



Regional manufacturing
resumed growth.
See page 6



Delaware Stock Index
increases by 2.54%.
See page 8



SPECIAL FEATURE

FINANCIAL TIPS FOR THE NEW YEAR!

Eliminating the Holiday Debt Hangover — “ACES”

Assess your financial debt and tally it. Get a firm grip on exactly how much you owe and what interest rates you are paying.

Consolidate or transfer bill balances into a no interest or low interest credit card if possible.

Earn extra money by being creative. For example, you could reduce the number of your magazine subscriptions or sell unused furniture or equipment to help you pay down your debt.

Stay on top of your progress and once you have finished paying off your debt, increase your monthly savings.

Kickoff 2013 — Tackle Your Financial Goals!

- Order your free credit report. Under federal law, you are entitled to, upon request, a free copy of your credit report once every 12 months from the major credit reporting agencies: TransUnion, Experian, and Equifax. You can request a copy of your credit history online at www.annualcreditreport.com/cra/index.jsp; or call (877) 322-8228; or mail an annual credit report request form, which is available at annualcreditreport.com, to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA, 30348-528

- Review your investments. It is true most people spend more time planning their vacation than their finances. Revisit your investments and make sure they are in line with your goals, objectives, and appetite for risk.
- Free up some more cash. Interest rates are still very low. Make sure to take advantage of this opportunity to shorten the life of your mortgage or increase your monthly cash flow by lowering your interest rate. Be proactive and ask!
- Track your spending. By tracking what you spend, you will better understand your spending tendencies and be able to develop a budget by knowing how much you spend and comparing it to your income. Using this knowledge, you could reduce some non-essential spending and apply the savings to debt reduction.

Individual financial situations vary. It is recommended that you seek advice from a tax or investment professional.





Delaware Economic Early Warning System

STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

Key Rationale for Rating

- The state unemployment rate is 6.7%, down a tenth from the previous two months.
- Delaware home sales continued to increase, but prices are lower than they were a year ago.
- The Regional Consumer Price Index indicated a 0.4% increase in prices from August.
- The Federal Reserve's Beige Book showed the economy in the Philadelphia region, which includes Delaware, was hurt by Hurricane Sandy. The pace for construction contracts slowed, but housing sales remained strong. The real estate sector reported growth, particularly regarding construction of industrial space. Service-sector firms and the retail sector experienced slowing growth while manufacturing declined. Overall, the outlook was not as optimistic as in the previous Beige Book due to concerns over the federal fiscal cliff and the need to recover from Hurricane Sandy.
- Regional banks reported continued increases in lending volume and credit quality.
- Regional manufacturing activity resumed growth in December, after declining in November, as measured by the Federal Reserve Bank of Philadelphia's survey. However, Delaware firms only account for approximately 5% of the survey.
- The Federal Reserve Bank of Philadelphia's Coincident Index showed Delaware's economic activity as growing slightly. However, the Leading Index declined and is now forecasting economic contraction through the second quarter of 2013.
- National consumer confidence declined due to concerns over the fiscal cliff.
- The national economy continued to add jobs, albeit the rate of growth was moderate. The national unemployment rate in November was 7.7%, down from 7.9% in October.
- The four-week moving average of new U.S. jobless claims was 356,750 for the period ended December 22, which is a decline from the average of 367,250 for the period ended October 27.
- In Delaware, new jobless claims increased since the previous Index. The four-week average is 1,130, up from 923.
- The Obama administration and Congress reached an agreement to avert the fiscal cliff and delay budget sequestration for two months.
- Delaware's portfolio, held and managed by the Treasury, is \$1.86 billion as of December 31, compared to \$1.68 billion as of October 31.

CONSUMER SECTOR

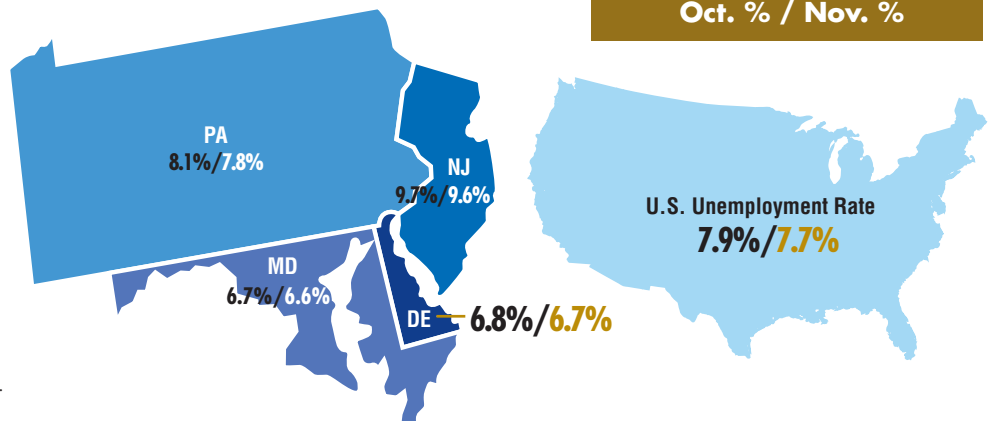
Employment

Delaware (Nov. 2012)	Delaware (Oct. 2012)
Labor force 440,327	Labor force 439,536
Employment 410,763	Employment 409,781
Unemployed 29,564	Unemployed 29,755
Unemployment rate 6.7%	Unemployment rate 6.8%



Regional Unemployment

October 2012 / November 2012



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.



Delaware Jobless Claims

Initial Claims Filed

Week Ended	Number
October 27	916
November 3	1,059
November 10	1,330
November 17	1,077
November 24	992
December 1	1,567
December 8	1,003
December 15	959

Four week average: 1,130

Eight week average: 1,113

Source: U.S. Department of Labor



Gas Prices

	Delaware	United States
December 31, 2012	\$3.42	\$3.27
One Week Ago	\$3.36	\$3.24
November 1, 2012	\$3.52	\$3.54
One Year Ago	\$3.26	\$3.26

Source: Delawaregasprices.com



Mortgage Rates

	As of Dec. 27, 2012	Week Prior
30-year fixed	3.35%	3.37%
15-year fixed	2.65%	2.65%
5-year ARM	2.70%	2.71%
1-year ARM	2.56%	2.52%

Source: Freddie Mac



Primary Mortgage Market Survey®

December 27, 2012

	30-Year	15-Year
Average Rate	3.35 %	2.65 %
Fees/Points	0.7	0.7

Next Rate Update: January 3, 2013



Consumer Confidence

Conference Board

Month	Index
December	65.1
November	71.5

Rating Index

90 = Doing well

100 = Strong growth

Source: Conference Board



University of Michigan

Month	Index
December	72.9
November	82.7

Source: University of Michigan

Regional Consumer Price Index

	Oct-2012	Aug-2012	Change since Aug.	Change since Oct. 2011
All Items	240.537	239.557	+0.4%	+2.2%
Core	247.94	247.763	0.0%	+1.9%

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers New Castle County. Core consumer price index is the inflation rate minus food and energy items.

Source: U.S. Bureau of Labor Statistics.



B U S I N E S S S E C T O R

Regional Business Outlook Survey Diffusion Indexes

The December Business Outlook Survey indicates a resumption of growth in the regional manufacturing sector and posts the highest reading since April. The November Business Outlook Survey, and six of the previous seven, had reported contraction in the sector. All but one category increased in the latest survey as the region recovered from the effects of Hurricane Sandy. Survey respondents expect growth during the first half of 2013.

Source: Federal Reserve Bank of Philadelphia

	Dec. 2012	Nov. 2012
General Evaluation	8.1	-10.7
New Orders	10.7	-4.6
Shipments	18.3	-6.7
Unfilled Orders	2.3	-4.6
Delivery Times	-1.2	-13.8
Inventories	-11.5	-12.5
Prices Paid	27.8	27.9
Prices Received	15.4	6.3
Number of Employees	3.6	-6.8
Average Employee Workweek	4.2	-6.2

The Business Outlook Survey is conducted monthly by the Federal Reserve Bank of Philadelphia to gauge manufacturing activity in the region.

Small Business Optimism Index

The NFIB Small Business Optimism Index declined by 5.6 in November. This is the seventh lowest reading recorded since 1986.

Month	Index
November	87.5
October	93.1

Source: National Federation of Independent Businesses

Index Component	Net %	Change from Last Month
Plans to Increase Employment	5%	▲ 1%
Plans to Make Capital Outlays	19%	▼ -3%
Plans to Increase Inventories	-5%	▼ -4%
Expect Economy to Improve	-35%	▼ -37%
Expect Real Sales Higher	-5%	▼ -8%
Current Inventory	-2%	▼ -2%
Current Job Openings	17%	▼ 1%
Expected Credit Conditions	-10%	▼ -2%
Now a Good Time to Expand	6%	▼ -1%
Earnings Trends	-32%	▼ -6%

Producer Price Index

	Nov. 2012	Nov. 2011
Total	-0.8%	+ 1.51%
Except food and energy	0.1%	N/A
Foods	+1.3%	N/A
Energy	-4.6%	N/A

These are the Producer Price Index changes for finished goods. The index declined for the second consecutive month in November.

Source: U.S. Bureau of Labor



Coincident Index

The Coincident Index for Delaware increased by 0.1% in November. Unemployment decreased and employment levels remained steady, but hours worked in the manufacturing sector decreased.

Source: Federal Reserve Bank of Philadelphia

The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.

Area	Nov. 2012	1-Month Change	3-Month Change	12-Month Change
Delaware	143.0	+0.1%	0.0%	+0.3%
New Jersey	147.8	+0.2%	+0.6%	+2.0%
Pennsylvania	141.5	+0.4%	+0.7%	+2.0%
US	152.4	+0.2%	+0.6%	+2.8%

Leading Index

The Leading Index for Delaware was -0.2 in October, suggesting economic contraction through the second quarter of 2013. Initial unemployment claims rose while the index of delivery times and the Coincident Index for Delaware both declined. On the positive side, building permits increased.

Source: Federal Reserve Bank of Philadelphia

The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.

Area	Oct.	Sept.	Aug.
Delaware	-0.2	0.4	-0.4
Pennsylvania	1.3	0.8	0.3
New Jersey	1.5	1.9	1.8
US	1.2	1.2	1.3



FINANCIAL SECTOR

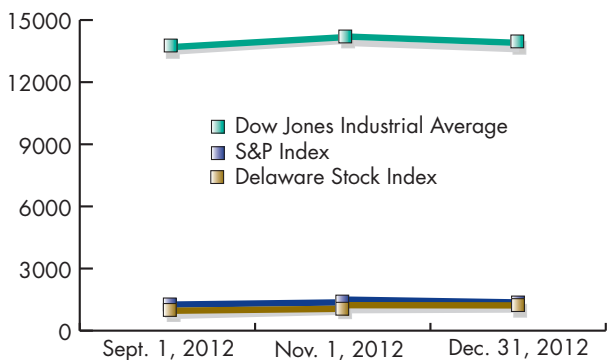
Stock Prices of Key Delaware Employers

Employer	Nov. 1 2012	Dec. 31 2012	% Change
Amazon.com Inc.	\$232.14	\$250.87	+8.07%
Ashland Inc.	\$73.34	\$80.41	+9.64%
AstraZeneca PLC	\$46.74	\$47.27	+1.13%
Bank of America Corp.	\$9.74	\$11.61	+19.2%
Barclay's PLC	\$15.44	\$17.32	+12.2%
Chesapeake Utilities Corp.	\$46.65	\$45.40	-2.68%
Citigroup Inc.	\$37.95	\$39.56	+4.24%
Comcast Corp.	\$37.55	\$37.36	-0.51%
Dover Downs Gaming & Entertainment Inc.	\$2.35	\$2.20	-6.38%
Dow Chemical Co.	\$30.11	\$32.33	+7.37%
DuPont	\$45.00	\$44.98	-0.04%
JP Morgan Chase & Co.	\$42.84	\$43.51	+1.56%
Kraft Foods Inc.	\$45.14	\$45.47	+0.73%
M & T Bank Corp.	\$104.51	\$98.47	-5.78%
Pepco Holdings Inc.	\$19.81	\$19.61	-1.01%
PNC Financial Services Co.	\$59.25	\$58.31	-1.59%
Rite Aid Corp.	\$1.11	\$1.36	+22.52%
Safeway Inc.	\$16.56	\$18.02	+8.82%
Siemens AG	\$102.01	\$109.47	+7.31%
Simon Property Group	\$152.55	\$157.39	+3.17%
Supervalu Inc.	\$3.26	\$2.47	-24.23%
Tanger Factory Outlet Centers Inc.	\$31.83	\$34.20	+7.45%
Verizon Communications Inc.	\$45.14	\$42.82	-5.14%
Walgreen Co.	\$35.50	\$36.84	+3.77%
Wal-Mart Stores, Inc.	\$73.45	\$67.70	-7.83%
Wells Fargo	\$34.06	\$33.98	-0.23%
WSFS Financial Corp.	\$41.95	\$42.25	+0.72%
Delaware Stock Index	1,385.98	1,421.18	+2.54%
S & P 500 Index	1,427.59	1,426.19	-0.10%
Dow Jones Industrial Average	13,232.62	13,104.14	-0.97%

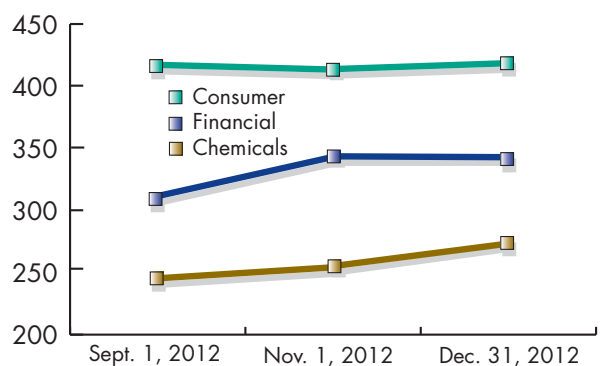
Source: Google Finance

Stock Index Comparison

Dow Jones, S&P and Delaware Stock Indexes



Delaware Stock Index by Sector





Delaware State Treasury

State Treasurer Chip Flowers

Treasury's Portfolio Balances

As of December 31, 2012

Portfolio	Market Value	% of Total
Liquidity A/Cs:		
BNYM Cash Inv Strategies	\$ 96,364,359.54	5%
JP Morgan Res & Cash	\$257,562,952.75	14%
Wells Capital Liquidity	\$235,121,368.89	13%
Wilmington Trust Liquidity	\$230,739,476.74	12%
Intermediate Accounts:		
Schroder's Interm	\$907,691,178.70	49%
Schroder's L&W Endowment	\$ 78,011,642.52	4%
Schroder's Health Fund Endowment	\$ 55,690,797.57	3%
Total:	\$1,861,181,776.71	100%

Source: Delaware State Treasury

Key Interest Rates

Rate	12/26/12	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	3.64%	3.37%	3.92%
1 Month LIBOR Rate	0.21%	0.21%	0.29%
3 Month LIBOR Rate	0.31%	0.31%	0.58%
6 Month LIBOR Rate	0.51%	0.53%	0.80%
1 Year LIBOR Rate	0.84%	0.86%	1.12%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
Nov. 1, 2012	0.06	0.06	0.17	0.17
Dec. 31, 2012	0.02	0.02	0.15	0.15

Source: U.S. Treasury Department

Key Benchmark Exchange Rates

As of December 31, 2012

Currency	Value (in U.S. Dollars)	Change (from previous Index)
Euro	\$1.3198	+2.02%
British Pound	\$1.6261	+0.83%
Japanese Yen	\$0.0115	-8.00%
Australian Dollar	\$1.0395	-0.02%
Canadian Dollar	\$1.0078	+0.41%
Swiss Franc	\$1.0912	+1.72%
Chinese Yuan	\$0.1605	+0.19%

Source: Google Finance



National Manufacturing

National economic activity in the manufacturing sector contracted in November, a reversal after two consecutive months of growth. The PMI fell from 51.7 to 49.5, its lowest point since July 2009. This marked the fourth negative reading in the past six months. Production and new orders grew while employment and prices did not. Survey respondents reported concerns about the fiscal cliff.

Index	Series Index Nov.	Series Index Oct.	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	49.5	51.7	-2.2	Contracting	From Growing	1
Production	53.7	52.4	+1.3	Growing	Faster	2
New Orders	50.3	54.2	-3.9	Growing	Slower	3
Employment	48.4	52.1	-3.7	Contracting	From Growing	1
Supplier Deliveries	50.3	49.6	+0.7	Slowing	From Faster	1
Inventories	45.0	50.0	-5.0	Contracting	From Unchanged	1
Prices	52.5	55.0	-2.5	Increasing	Slower	4
Backlog of Orders	41.0	41.5	-0.5	Contracting	Faster	8
Exports	47.0	48.0	-1.0	Contracting	Faster	6
Imports	48.0	47.5	+0.5	Contracting	Slower	4
Inventories	45.0	50.0	-5.0	Contracting	From Unchanged	1
Customers' Inventories	42.5	49.0	-6.5	Too Low	Faster	12

Source: ISM Report on Business

National Non-Manufacturing

National economic activity in the non-manufacturing sector grew in November for the 35th consecutive month. The NMI registered at 54.7, a slight improvement from 54.2 in October. 11 non-manufacturing industries reported growth. Survey respondents expressed cautious optimism about the economy.

Index	Series Index Nov.	Series Index Oct.	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	54.7	54.2	+0.5	Growing	Faster	35
Business Activity/Production	61.2	55.4	+5.8	Growing	Faster	40
New Orders	58.1	54.8	+3.3	Growing	Faster	40
Employment	50.3	54.9	-4.6	Growing	Slower	4
Supplier Deliveries	49.0	51.5	-2.5	Faster	From Slower	1
Inventories	47.0	46.5	+0.5	Contracting	Slower	3
Prices	57.0	65.6	-8.6	Increasing	Slower	5
Backlog of Orders	53.5	49.0	+4.5	Growing	From Contracting	1
New Export Orders	48.0	47.5	+0.5	Contracting	Slower	2
Imports	55.5	49.5	+6.0	Growing	From Contracting	1
Inventory Sentiment	62.5	64.0	-1.5	Too High	Slower	186
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A

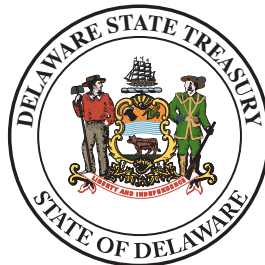
Source: ISM Report on Business



OTHER ECONOMIC ACTIVITY

Recent Economic Activity

- Treasurer Flowers issued an advisory and directive relating to the expiration of the federal Transaction Account Guarantee ("TAG") Program. TAG provided federal insurance for non-interest bearing deposits beyond \$250,000. It expired on December 31, 2012. Treasurer Flowers' advisory alerted consumers, small businesses and nonprofits about the program's expiration. Treasurer Flowers' directive ensured the safety and security of State funds by requiring banks to collateralize State deposits that would be losing TAG insurance coverage.
- The White House and Senate Republican leader Mitch McConnell reached a deal on the "fiscal cliff" to extend income tax cuts for individuals with incomes below \$400,000 and families with incomes below \$450,000. The deal also preserves the current 15% capital gains tax rate for individuals and families below the income thresholds stated above. Additionally, the deal extends three tax credits that target middle-class families and unemployment insurance benefits. Furthermore, it indexes the Alternative Minimum Tax to inflation, prevents cuts to doctors serving Medicare patients and sets the estate tax rate at 40% with a \$5 million exemption. Finally, the deal delays budget sequestration for two months. The compromise bill passed both houses of Congress and U.S. President Barack Obama signed it into law.
- The Federal Reserve declared it would keep interest rates low until unemployment fell below 6.5% or the inflation rate exceeded 2.5%.
- Sussex County provided a \$200,000 low-interest loan to support TechWorld Medicals, Inc, which is developing a nasal spray.
- Fisker Automotive Inc. announced it is seeking a financial partner to help get the company off its feet. Fisker also delayed an announcement, which had previously been slated for December, on the fate of its Delaware factory.
- Incyte Corp. was awarded an \$11 million grant from the Delaware Economic Development Office ("DEDO"). Under terms of the grant, Incyte must create 260 jobs in Delaware over the next three years and retain them through 2018. Incyte was considering moving to another state.
- The Diamond State Port Corp., which owns the Port of Wilmington, opened negotiations with Texas' Kinder Morgan to lease the port.
- Corporation Service Co. announced plans to hire 90 employees in 2013 at its Greenville location.
- Atlantis Industries Corp. plans to create 20 full-time jobs by 2016 at its Milton facility. DEDO will provide a \$190,000 grant to facilitate the expansion in staff and a \$70,440 capital improvement grant to aid the company's expansion of its facility.
- The Fraunhofer Center for Molecular Biotechnology will receive at least \$1.76 million and as much as \$9.9 million from the National Institute of Allergy and Infectious Diseases to develop an anthrax vaccine.
- Delaware State University and the University of Delaware will receive a grant from the National Institute of Health to create the Delaware Center for Neuroscience Research, which will be based at DSU's campus. DSU will receive \$7.3 million and UD will receive \$3.2 million to fund the project.
- JPMorgan Chase purchased MBNA's former facilities in Ogletown. It plans to base 800 employees at the facility.



<http://treasury.delaware.gov/>

Contact: Office of Economic Policy, Omar Masood • (302) 672-6723

Delaware State Treasury • 820 Silver Lake Boulevard, Suite 100 • Dover, DE 19904

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